

CALCULATION OF LEA FUNDING FOR CHILDREN IN STATE CUSTODY

PROCESS MANUAL



**Tennessee Department of Education
Division of Finance, Accountability and Business
Office of Local Finance
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**CALCULATION OF
LEA FUNDING FOR CHILDREN
IN STATE CUSTODY**

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Definitions

The following definitions apply to key terms used throughout this manual:

ADM	Average Daily Membership refers to a LEA's student enrollment counts.
Children's Plan Expenditure	The calculated amount of each LEA's State Funds Plus Local Funds for the current year. This amount is used as the basis for determining the amount of funds reimbursed to or withheld from a LEA for children in state custody.
Children's Plan Expenditure Per Pupil	The amount of each LEA's Children's Plan expenditure expressed on a per pupil basis as determined using average daily membership of the prior year that was used in the BEP funding calculation.
LEA	A Local Education Agency is a local public school system, including a county or city school system, a special school district, a unified or metropolitan school system, or any other local public school system or school district created or authorized by the Tennessee General Assembly.
LEA of Current Service	The local education agency that provides the education for a child placed in state custody.
LEA of Origin	The local education agency determined by the Department of Children's Services as being responsible for the education of a child in state custody.
State Funds Plus Local Funds	Grand total expenditures of a local education agency's General Purpose School Fund, as adjusted for certain Federal and local revenue and certain non-academic expenditure account categories. Refer to page 6 for a listing of such account categories. The amount of State Funds Plus Local Funds is determined separately for three different base amounts (a prior-year financial base, a prior-year budget base, and a current-year budget base).

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Introduction

The Education Improvement Act of 1992 created Tennessee Code Annotated, Section 49-3-363, concerning children for whose education the state is directly responsible. The statute reads as follows:

“Whenever any child is placed in the custody of the state of Tennessee or the education of the child shall become the state's direct responsibility for any reason, the Commissioner of Education shall pay to the state agency responsible for the child or as may otherwise be directed in the general appropriations act, an amount equal to the state funds, plus the local funds which would otherwise be expended on the child had the child not been placed under state care. The total amount of such payments shall be deducted by the Commissioner from the total state payments which would otherwise be made under this part to the local education agency which would be responsible for the child's education had the child not been placed under the state's direct responsibility.”

In order to determine the methodology necessary to implement the provisions of this statute, personnel with the Department of Children’s Services (“DCS”) and the Department of Education (“DOE”) formed an inter-departmental team to address the following issues:

- Division of reporting and procedural responsibilities between the two departments;
- Methodology for (1) calculating funding adjustments for each local educational agency serving as a LEA of origin and a LEA of current service and (2) determining Basic Education Program funds for children in state custody pursuant to the statute;
- Procedures necessary to implement the requirements of this statute for the initial 1993-94 fiscal year and fiscal years thereafter.

This manual outlines the methodology used by the Department of Education for calculating adjustments to LEA funding for children in state custody, as adopted by the inter-departmental team to comply with Tennessee Code Annotated, Section 49-3-363.

CALCULATION OF LEA FUNDING FOR CHILDREN IN STATE CUSTODY

Inter-Departmental Responsibilities

DEPARTMENT OF CHILDREN'S SERVICES

District Offices:

- Identify all children placed in state custody
- Record and maintain data in DCS database

Office of Education (Person Responsible: Jeanita Hime):

- Manages database information concerning education of children in state

Office of Technology (Person Responsible: Kenny Williams)

- Cooperates with DCS Office of Education to extract information from database concerning education of children in state custody for a selected time period, including the child's name, social security number, date of birth, date of placement, date of transfer, grade, LEA of origin and LEA of current service
- Sends a copy of data file to DCS Office of Education and DCS Office of Fiscal Services

Office of Fiscal Services (Person Responsible: Stephanie Faulkner):

- Reviews data and electronically sends education data files to DOE Office of Technology Infrastructure and Systems Support

DEPARTMENT OF EDUCATION

Office of Technology Infrastructure and Systems Support (Person Responsible: Ray Harris)

- Receives DCS data files
- Creates a generic 180-day calendar for the current fiscal year, considering in-service days, holidays and weekends
- Processes DCS data file to convert and to sort data into separate files for children's educational days reported by (1) LEA of origin, (2) LEA of current service, (3) grade level based on DCS assignment, and (4) grade level based on date of birth
- Runs programs to identify internal data errors for (1) missing social security numbers, (2) children assigned more than one social security number, (3) the same social security number used for different children, (4) unidentified LEAs, (5) missing dates of birth, and (6) unidentified grade levels
- Sends converted/sorted data files via electronic format and paper copy (including generic calendar and error reports) to DOE Office of Local Finance

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Inter-Departmental Responsibilities, Continued

DEPARTMENT OF EDUCATION, Continued

Office of Local Finance (Person Responsible: Brenda Russell)

- Calculates State Funds Plus Local Funds for each LEA based on information reported in prior-year annual financial reports and annual budget documents and in current-year annual budget documents
- Calculates the amount of Children's Plan expenditure per pupil for each LEA of origin based on prior-year average daily membership of students
- Calculates a Children's Plan expenditure per pupil per diem amount for each LEA of origin based on a generic 180-day calendar
- Calculates funding of children in state custody by LEA of origin and by LEA of current service by multiplying (1) the number of educational days reported for each LEA and (2) each LEA's Children's Plan expenditure per pupil per diem amount
- Summarizes the net amount of funds to be reimbursed to or withheld from each LEA's state funding allocation and sends a copy of the data file to Paul Ackerman, DOE Office of Administrative Services – Disbursements, for the appropriate funding adjustments to be made
- Calculates the net number of schools days for children in state custody for each LEA by grade level
- Converts the net number of school days to ADMs by grade level for each LEA based on a generic 180-day calendar
- Sends a copy of the data file of each LEA's converted ADMs for children in state custody to Melissa Brown, DOE Office of Local Finance, for the appropriate adjustments to be made to current-year ADMs used in the BEP funding formula
- Sends written notification to each LEA about the amount of net increase or decrease in current-year funding due to children in state custody, including listings of children in state custody by LEA of Origin and LEA of Current Service as determined by DCS
- Notifies DCS Office of Education and Office of Fiscal Services about errors detected in database files for DCS to investigate and resolve
- Sends a written request to Tom McMahon, DOE Office of Accounting Services, to initiate a transfer payment to DCS via an inter-departmental journal voucher

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Calculation Methodology

General

The Department of Children's Services has responsibility for identifying all children in state custody and for maintaining necessary database files of changes in their educational status due to changes in treatment programs or locations. The identification process includes the child's (1) name, (2) social security number, (3) date of birth, (4) grade level, (5) academic program enrolled, (6) LEA of home residency, and (7) LEA or treatment program with an approved school component providing educational services to the child. The child's social security number serves as the identification/reference number for tracking and reporting in DCS database files. All information concerning children in state custody is considered confidential information pursuant to Tennessee Code Annotated, Section 37-5-107.

The Department of Children's Services reports data both by LEA of Origin for those children whose LEA of home origin is different from the LEA providing their education and by LEA of Current Service for those children being provided educational services. LEAs that serve state custody children from outside their boundaries receive funding in an amount equal to the state funds plus local funds that would have been expended on the state custody children had the children remained within their LEA of origin. LEAs that are determined by DCS to be the LEA of home origin of state custody children who are served by another LEA have funds deducted in an amount equal to the state funds plus local funds that would have been expended on the state custody children had the children remained within their LEA of origin.

A primary goal of the Department of Children's Services is to resolve the special problems of each child in state custody by placement within appropriate treatment programs and to reunite the child with the family in their home LEA as soon as possible. Therefore, specific treatment plans for each child may involve a series of short term, progressively less-intensive programs in various locations with educational components provided either by LEAs or by approved schools within treatment programs. For this reason, LEA funding for children in state custody is calculated on a per diem basis and educational days are measured based on a 180-day "generic" school calendar beginning July 1, with consideration given to weekends, holidays, and in-service days.

The Department of Education has responsibility for calculating adjustments to LEA funding for children in state custody using annual financial reports and budget documents of the General Purpose School Fund of each LEA.

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Calculation Methodology, Continued

State Funds Plus Local Funds

A calculation of State Funds Plus Local Funds is performed separately for each LEA based on the LEA's (1) prior-year annual financial report, (2) prior-year annual budget document, and (3) current-year annual budget document. Beginning with General Purpose School Fund expenditures, adjustments are made for the account categories presented below to determine a total amount of State Funds Plus Local Funds for each of the three bases.

<u>Account Code No.</u>	<u>Category</u>
730000	Grand Total Expenditures
ADD:	
44110	Interest Earned
44120	Lease/Rental Revenue
44990	Other Local Revenue
LESS:	
43000	Charges for Current Services
44000	Other Local Revenues
47100	Federal Funds Received Through State
47600	Direct Federal Revenue
71200	Special Education Program
71300	Vocational Education
71400	Student Body
71600	Adult Education
72220	Special Education Program Support Services
72230	Vocational Education Support Services
72260	Adult Education Support Services
73300	Community Services
76100	Regular Capital Outlay
79100	Operating Transfers
81300	Education Debt Service
91300	Educational Capital Projects
	Total State Funds Plus Local Funds

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Calculation Methodology, Continued

Children's Plan Expenditure

Each LEA's Children's Plan expenditure amount is calculated for the current fiscal year as follows:

$$\begin{array}{ccccc}
 \text{State Funds Plus Local Funds Based} & & & & \\
 \text{on Prior-Year Annual Financial Report} & & & & \\
 \hline
 & \times & \text{State Funds Plus Local Funds} & = & \text{LEA} \\
 & & \text{Based on Current-Year} & & \text{Current-Year} \\
 & & \text{Annual Budget} & & \text{Children's Plan} \\
 & & \text{Document} & & \text{Expenditure} \\
 \text{State Funds Plus Local Funds Based} & & & & \\
 \text{on Prior-Year Annual Budget Document} & & & &
 \end{array}$$

Children's Plan Expenditure Per Pupil

Each LEA's current-year Children's Plan expenditure amount is divided by the LEA's average daily membership of the prior year that was used in the BEP funding calculation as follows:

$$\begin{array}{ccccc}
 \text{LEA} & & & & \text{LEA} \\
 \text{Current-Year} & & & & \text{Children's Plan} \\
 \text{Children's Plan} & \diagdown & \text{LEA} & = & \text{Expenditure} \\
 \text{Expenditure} & & \text{Prior-Year} & & \text{Per Pupil} \\
 & & \text{ADM} & &
 \end{array}$$

Children's Plan Expenditure Per Pupil Per Diem

Each LEA's current-year Children's Plan expenditure amount per pupil is expressed as a per diem amount on the basis of a 180-day generic calendar as follows:

$$\begin{array}{ccccc}
 \text{LEA} & & & & \text{Children's Plan} \\
 \text{Current-Year} & & & & \text{Expenditure} \\
 \text{Children's Plan} & \diagdown & & & \text{Per Pupil} \\
 \text{Expenditure Per Pupil} & & 180 & = & \text{Per Diem}
 \end{array}$$

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Calculation Methodology, Continued

LEA Net Funding Adjustment

The amount to be reimbursed to or withheld from each LEA's funding allocation is calculated as the net difference in the LEA's current service amount and origin amount as determined below.

1. Current Service Amount

The number of educational days for each LEA of Current Service is multiplied by the amount of the Children's Plan expenditure per pupil per diem to determine the amount of funds to be reimbursed to the LEA as follows:

$$\begin{array}{ccccc} \text{Number of} & & \text{Children's Plan} & & \text{Current Service Amount} \\ \text{Educational Days} & & \text{Expenditure} & & \text{(Amount to be Reimbursed} \\ \text{for LEA of Current Service} & \text{X} & \text{Per Pupil} & \text{=} & \text{to LEA)} \\ & & \text{Per Diem} & & \end{array}$$

2. Origin Amount

The number of educational days for each LEA of Origin is multiplied by the amount of the Children's Plan expenditure per pupil per diem to determine the amount of funds to be withheld from the LEA's funding allocation as follows:

$$\begin{array}{ccccc} \text{Number of} & & \text{Children's Plan} & & \text{Origin Amount} \\ \text{Educational Days} & & \text{Expenditure} & & \text{(Amount to be Withheld} \\ \text{for LEA of Origin} & \text{X} & \text{Per Pupil} & \text{=} & \text{from LEA)} \\ & & \text{Per Diem} & & \end{array}$$

The difference between the current service amount and the origin amount represents each LEA's net funding adjustment. Those LEAs with excess current service amounts receive additional reimbursement of funds while those LEAs with excess origin amounts receive reduced funding.

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Calculation Methodology, Continued

Adjustment of Average Daily Membership for BEP Funding

The number of educational days provided to state custody children during the current fiscal year is identified by DCS both by grade level and by educational program for LEAs of Origin (origin days) and LEAs of Current Service (current service days). The difference in the number of origin days and current service days is converted to an average daily membership (“ADM”) factor by dividing each LEA’s net number of days by 180.

A positive number represents excess current service children per day for which the LEA receives additional funding in the current fiscal year. A negative number represents origin children per day for which the LEA receives reduced funding in the current fiscal year. Accordingly, for purposes of the BEP funding adjustment for the ensuing fiscal year, a LEA’s ADM is increased in the amount of a negative number and is decreased in the amount of a positive number.

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Process Timeline

The exact frequency and dates for DCS reporting of children in state custody may vary during the fiscal year but generally adheres to the following timeframe:

<u>Approximate Date</u>	<u>Action</u>
July 1	DCS's "generic" school year begins.
September 1 - December 15	DCS compiles education data concerning children in state custody and records such data in the DCS database.
January 1	DCS sends data files for a selected time period to DOE. DOE performs calculations relative to the first batch of DCS data, adjusts payment of state funds to LEAs and notifies LEAs, accordingly. LEAs respond directly to DCS with any proposed corrections to data.
January 1 - April 15	DCS compiles education data concerning children in state custody for the remainder of the generic 180-day school year and records such data in the DCS database.
May 1	DCS sends data files to DOE. DOE performs calculations relative to the second batch of DCS data.
June 1	DOE adjusts final "June" payment of state funds to LEAs and notifies LEAs, accordingly. LEAs respond directly to DCS with any proposed corrections to data.
June 15	DOE adjusts each LEA's ADM for children in state custody for purposes of the BEP funding calculation for the ensuing fiscal year.